**Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.

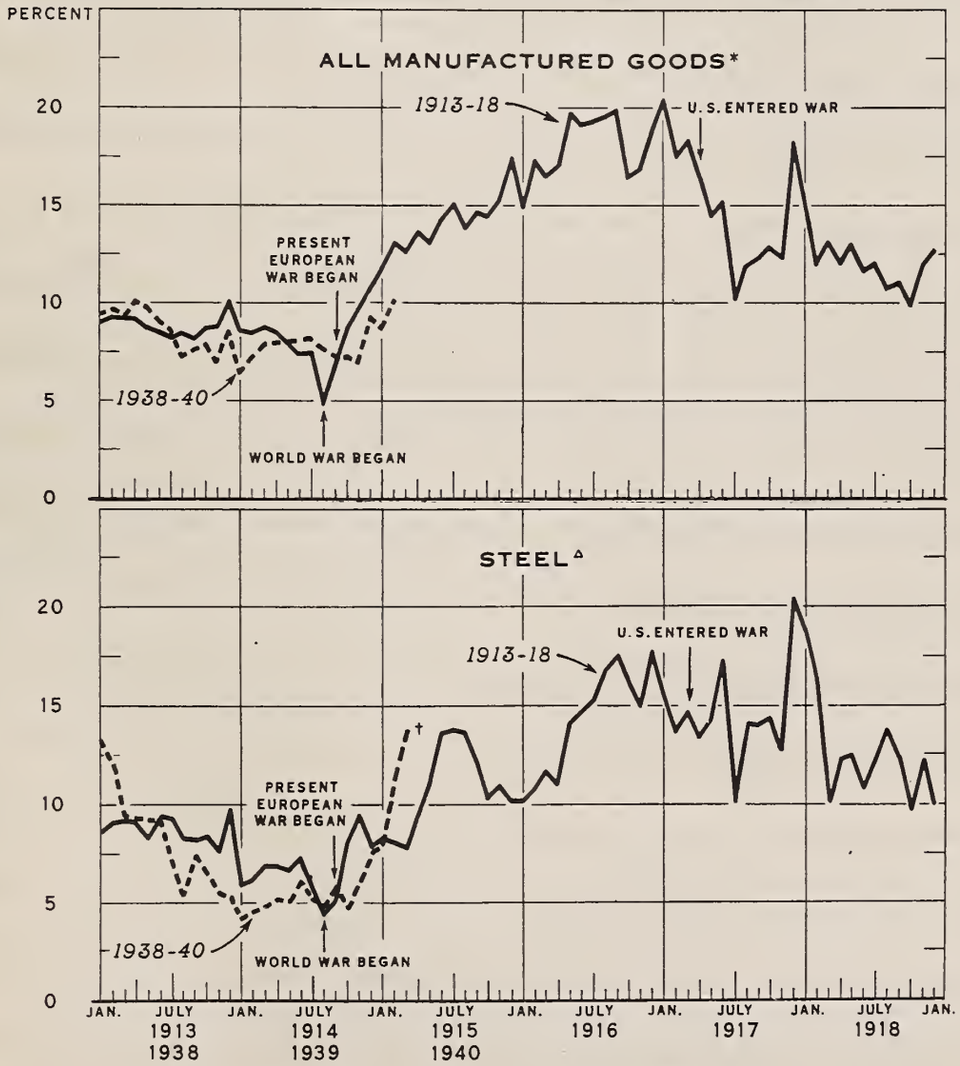
# THE Demand and Price SITUATION

APR 22 1940

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D.C. — BAE — APRIL 17, 1940

EXPORTS OF ALL MANUFACTURED GOODS AND OF STEEL AS PERCENTAGE OF PRODUCTION, U. S., 1913-18 AND 1938-40




* EXPORT VALUES AS PERCENT OF THE NET VALUE OF FACTORY PRODUCTION (STRICTLY COMPARABLE VALUES NOT AVAILABLE)

△ RATIO OF EXPORTS OF HEAVY IRON AND STEEL PRODUCTS TO PRODUCTION OF STEEL INGOTS (EXPORTS STRICTLY COMPARABLE WITH PRODUCTION NOT AVAILABLE).

† PRELIMINARY, ROUGH

U. S. DEPARTMENT OF AGRICULTURE — NEG. 38189 BUREAU OF AGRICULTURAL ECONOMICS

THE EXPORT VALUE OF PROCESSED PRODUCTS RELATIVE TO THE ESTIMATED NET VALUE OF FACTORY PRODUCTION HAS INCREASED CONSIDERABLY SINCE LAST NOVEMBER. SIMILARLY THE RATIO OF EXPORTS OF HEAVY IRON AND STEEL PRODUCTS (SCRAP EXCLUDED) TO PRODUCTION OF STEEL INGOTS HAS INCREASED FROM AROUND 5 PERCENT BEFORE THE OUTBREAK OF THE PRESENT WAR IN EUROPE TO NEARLY 14 PERCENT. THESE CHANGES IN THE RELATIVE IMPORTANCE OF EXPORTS ARE SIMILAR TO THOSE FOLLOWING THE START OF THE WORLD WAR IN 1914. INDUSTRIAL EXPORTS GAVE CONSIDERABLE SUPPORT TO THE INDUSTRIAL SITUATION DURING THE FIRST QUARTER OF 1940, WHEN PRODUCTION WAS EXPERIENCING SHARP CURTAILMENT.

SUMMARY

The outlook is for some improvement by summer in the economic conditions affecting the demand for farm products. Conditions continued their downward trend in March, but the weakness was much less pronounced than in January or February. The decline of industrial production in March was less than half that of either January or February, and weekly data indicate that by April approximate stability had been reached. As is usual, the decline in consumer purchasing power has lagged behind the decline in productive activity and has been much more moderate. The demand for some farm products, such as meats, fruits, and butter, seems to have been affected to some extent by the recession in business, although the various commodities show mixed tendencies in this regard. Consumer income probably will decline more before turning about.

Foreign trade statistics disclose a wide range of effects of the war in Europe on exports of domestic farm products. For some of the major export commodities, such as tobacco, fruits, and lard, the effects have been decidedly unfavorable, and several of the minor ones will be similarly affected by added import restrictions by the belligerents. The latter include canned fruits and vegetables, the exports of a number of which were up substantially during the first 6 months of the war. Elimination of Denmark as a source of food supplies for the Allies may eventually improve the United States export market for pork and evaporated milk.

The general level of wholesale prices of commodities in general continues relatively stable. Although the more sensitive commodity prices weakened from around mid-March into April, spread of the war into Scandinavia was followed by some recovery. Additional strength in wholesale prices is expected to accompany the better industrial situation in prospect in the United States for coming months.

The general average of prices received by farmers was about the same in mid-April as in March. Declines were indicated for meat animal, livestock product, and truck crop prices. Increases were indicated in prices of grains, fruit, and miscellaneous items. Changes in cotton and poultry product prices were small. The index of prices paid by farmers probably was again unchanged at 122 percent of the pre-World War average for the eighth consecutive month.

Cash income from sales of farm products increased less than seasonally from February to March, but remained above cash income for the same period of last year. Government payments to farmers were lower this March than last, and this reduction may have offset the increase in income from sales as compared with a year ago. Income from sales is expected to make about the usual decline from March to April. Government payments will continue below those of a year earlier for several months.

A summary of the situation by commodities:

Cotton: Domestic cotton prices held fairly steady over the past month, about 2 cents above the level a year ago. Mill consumption in March continued the decline which first appeared in January, but recently sales of unfinished goods have substantially exceeded mill output.

Wheat: Domestic wheat prices after declining in mid-March recovered in early April almost to the peak levels reached in December. Changes in wheat prices in the next few months are expected to depend largely upon developments in the foreign political situation, weather conditions both in this country and abroad, and upon the volume of overseas sales of North American wheat.

Feed grains: April 1 stocks of corn were more than 150 million bushels larger than April 1 stocks last year, indicating another record corn carry-over. If farmers carry out their March 1 intentions and the growing season is about normal, supplies of feed grains for 1940-41 may be a little smaller than for 1939-40, but, with the exception of last year, the largest since 1932-33.

Oilseeds and fats and oils: No great change in the demand for domestic oilseeds is in prospect for the 1940-41 marketing season. Production in 1940, however, probably will be considerably larger than in 1939. Prices

of flaxseed, cottonseed, peanuts, and soybeans have averaged 3 to 35 percent higher in the current marketing season than a year earlier, and from January to March this year were the highest since 1937. Prices of most fats and oils declined somewhat in March, but, with the exception of lard, greases, and beef fats, continued to equal or exceed those of early 1939.

Hogs: Slaughter supplies of hogs are expected to increase seasonally during the next 2 months as the market movement of fall pigs gets under way in large volume. Hog prices in early April reached the lowest level since midsummer 1934. Slaughter supplies of hogs in March were about 7 percent smaller than in February but 23 percent larger than in March 1939.

Cattle: The number of cattle on feed in the Corn Belt on April 1 was about 2 percent larger than a year earlier, and marketings of fed cattle during the next 3 months are expected to be somewhat larger than in the corresponding period of 1939. Prices of slaughter cattle declined somewhat in late March and early April. Slaughter supplies of cattle and calves were smaller in March than a year earlier, whereas in January and February supplies of cattle were larger.

Lambs: The development of the early lamb crop during March was above average and much better than during the unfavorable March of last year. Marketings of early lambs during May and June probably will be larger than in the corresponding months of last year. A heavy movement of both early lambs and yearlings from Texas is expected in May and June. Prices of fed lambs in early April were somewhat higher than a year earlier, but prices of new crop lambs were slightly lower.

Wool: Favorable factors affecting domestic prices of wool in the next few months will be the relatively small wool supply in this country and the strong foreign demand arising from war conditions. The prospect for a lower level of domestic mill consumption this year than last, however, will be a weakening influence upon domestic prices. A substantial decline in imports of wool from the current high level is expected, but imports may again increase in the fall and winter of 1940-41. Domestic wool price declined 3 to 10 cents a pound, scoured basis, during March, but quotations were almost entirely nominal. Wool prices in foreign markets did not change materially in March, after advancing in January and February.

Butter: Butter prices have been relatively stable since late April, primarily as a result of purchases by the Federal Surplus Commodities Corporation. Some seasonal decline in prices is in prospect, but prices during the coming summer will probably average considerably higher than in the summer of 1939. Butter production is high for this season of the year, and the outlook is

for continued high production during the summer unless the weather is unfavorable. The past season was a favorable one for storage operations, and a good storage demand is in prospect.

Poultry: The larger number of hens and pullets on farms may be sufficient to offset the lower rate of production as compared with a year earlier and thus cause total egg production to be somewhat higher in the first half of 1940. Production of eggs is expected to be smaller in the last half of this year than a year earlier. This would be of supporting influence to prices. Largely because of the prospective smaller hatch this year than in 1939, marketings of poultry are expected to be lower during the remainder of the year than they were last. The relative increase in chicken prices, as compared with 1939, therefore, is likely to continue.

Fruits and vegetables: Market prices of potatoes advanced sharply in recent weeks in response to the growing realization that supplies of old stocks are being rapidly depleted, and as a result of smaller marketings of new potatoes. Market supplies of Florida oranges, Florida and Texas grapefruit, apples, and pears are rapidly being depleted, but supplies of California oranges and southern strawberries are increasing seasonally. Marketings of truck crops increased and prices declined in recent weeks, but prospective supplies are expected to continue below those of a year earlier.

## DOMESTIC DEMAND

In March conditions which affect the domestic demand for farm products continued their downward trend. The decline of industrial production appears to be about over, although the usual lag in response of consumer incomes indicates that the latter may continue to decline in April and possibly May. Some time probably will be required before industrial activity picks up sufficiently to result in material improvement in consumer income and the domestic demand for farm products.

The decline from 128 in the Federal Reserve Board index of industrial production in December 1939 to around 105 in March of this year was one of the most rapid of record. This was in line with earlier expectations that there would be a temporary period of readjustment in industrial production while output was brought into better alignment with consumption and inventories. Business men in general apparently were not taken by surprise, and hence the decline itself has not led to as much pessimism and alteration of business policies as in some other similar instances. This tends to avoid the development of the "vicious downward spiral" which might have been generated by such a sharp decline of industrial output.

Inventories were increased last fall but at prices which were not sufficiently higher than those at present to cause apprehension of severe losses. Another factor helping to prevent the development of a depression psychology among business men is the war in Europe, which appears to be throwing considerable new business our way, both directly and indirectly.

The growing importance of exports to domestic industry is illustrated in a rough manner by the chart on the cover page. This chart shows that the ratio of exports of all processed goods to the estimated aggregate value of factory production, was about 40 percent higher in January and February 1940 than it was during the first 2 months of 1939. The increase in dollar value of exports amounted to 65 percent as compared with an estimated gain of just under 20 percent in the index of value of production. For steel the gain in the relation of exports to production was even larger. Production for the first quarter was up 33 percent whereas exports, with March estimated very roughly, rose more than 200 percent. Obviously, exports of industrial products are becoming a much more important factor in the business situation.

Exports probably will not continue to gain until their value equals about 1 dollar to each 5 dollars worth of factory-processed goods, as they did by 1917 just before the United States entered the World War, but already exports of processed products have grown until they are valued at about 1 dollar for each 10 dollars worth produced. This compares with an average of about 1 to 13 in 1939. In the case of steel, about 1 of each 7 tons produced is now being exported, according to such data as are available, as compared with about 1 of each 20 before the start of the present war in Europe. These ratios, which compare exports with changing rates of output, are not intended to reflect absolute changes in exports; rather, they show approximate changes in the importance of exports relative to total production.

Two industries - steel and textiles - accounted for approximately 80 percent of the December 1939 to March 1940 decline of around 18 percent in industrial production. Although neither of these industries appears in position for an immediate vigorous recovery, new orders have finally stopped declining.

Orders for cotton textiles in late March and early April were in heavy volume and well above output. This is in part a reflection of seasonal characteristics of the trade and does not necessarily connote an end to the decline in textile output, though in view of an apparent absence of unwieldy mill inventories some reflection of the improvement in sales on the rate of mill operations may not be long deferred.

In steel the decline in new business booked by mills apparently was definitely halted by mid-March, and before the month ended there was a gain in incoming orders. Although new orders are still reported at only 50 to 60 percent of capacity as compared with the recent low of 61 percent in mill operations, the spread is no longer sufficient to result in any rapid lowering of order backlogs. Furnaces usually are not taken out of production unless they are not likely to be needed for some time. Therefore, now that new orders are on the uptrend and the future outlook appears less obscure, steel mills might produce partly for inventory for a time if necessary rather than take additional furnaces out of production. Up to now the recent increase in new orders for steel has apparently been aided little by the automobile industry, but with new car sales surprisingly large, auto manufacturers may find it necessary to buy considerable additional steel before the 1940 model year ends even if their buying last fall was intended entirely to cover expected needs

for present models. The price reduction on hot and cold rolled steel sheets, announced April 12, may stimulate auto steel orders particularly should the more active phase which the war in Europe has entered, result in somewhat more liberal buying of commodities in general.

With exports gaining and average domestic needs alone probably about equal to the recent rate of output, there is good reason to believe that steel production has about reached bottom.

Construction is a field of activity of much significance in the general economic situation. Materials used furnish business for many industries, and the relatively high income of workers employed in the building trades permits the purchase by them of high priced durable products in addition to the products in more constant demand. Furthermore, the financing of homes and other types of construction requires the use of long-term loans and thus draws on funds which might otherwise remain inactive. Although the improved rate of building and construction attained late last year has not been entirely maintained and residential contracts awarded in the first 3 months of 1940 were about 4 percent lower than a year earlier, applications for home building loans to be guaranteed by the FHA were greater both as to number and value in the final week of March than at any previous time. The recent large applications for FHA loans, together with prospective increases in USHA construction loans, suggest that a full seasonal recovery in residential building may be ahead.

Future prospects for other kinds of building construction are more obscure. Nonresidential contracts during the March quarter of 1940 were 22 percent below those a year earlier. Public Works contracts during the first quarter were only moderately below those a year earlier, but large prospective reduction in PWA projects for the year as a whole is expected to more than offset any other probable gains in public works construction. Utility construction continues small but the recent ease with which some new utility financing has been done suggests the possibility of revival in this field. Factory and commercial building may be expected to follow the general trend of industrial activity and may exceed the 1939 total. All in all, the outlook for construction appears to be favorable to some recovery from the recent relapse which was aggravated by severe winter weather.

Signs of better demand for steel and textiles than since last fall, reviving interest in home building, and an increase in industrial exports relative to production strengthens the conclusion, presented in the last several issues of this report, that the decline in industrial activity and domestic demand for farm products would not continue into the summer.

## EXPORT DEMAND

The recent spread of the war in Europe to Scandinavia may result eventually in increasing somewhat the export demand for some United States farm products. Denmark apparently has been eliminated as an Allied source of food supply. If fewer naval vessels are available for convoy as a result of intensified naval activity on the part of the Allies, the relatively short ocean routes between America and Europe may give the United States more of a trade

advantage than it has had during the war to date. Products which are most likely to be benefited by these developments are pork, lard, and evaporated milk, but no immediate or large increase in export demand for these commodities is anticipated.

Export statistics covering the first 6 months of the war in Europe disclose a wide range of war effects on exports of various domestic farm products. For some commodities export outlets have been materially reduced, while for others the war appears to have had slightly beneficial effects. For a few minor commodities the war has resulted in important export gains.

During the 6 months ended February 1940 cotton exports totaled 4,964,000 bales, compared with 2,335,000 bales in the corresponding period a year earlier. This large increase in exports was due only partly to the war in Europe, being mainly a result of depleted foreign stocks of American cotton and export subsidies paid by the United States Government. The war probably resulted in a speeding up of European buying and of the movement of cotton from this country, because of anticipated difficulties in obtaining shipping and the possibility of further increases in ocean freight rates. Whatever beneficial effects the war has had on cotton exports thus far may be more than offset later by the effects of wartime controls instituted by the belligerent and neutral Governments. Already the gains over last year in exports are narrowing, although about a million bales remain to be shipped under subsidy arrangements already made. Continental stocks have been replenished, subsidies are no longer being paid by the United States on new export sales, and cotton mill activity in some foreign countries may be considerably reduced as a result of further war developments.

Tobacco leaf exports, owing to suspension of British buying, have been drastically reduced. Exports for the 6-month period ended February 1940 amounted to 177 million pounds, compared with 307 million a year earlier. Great Britain and France eventually will have to turn to the United States for at least a part of their tobacco requirements, but not until existing stocks plus supplies obtainable elsewhere are inadequate for pressing needs.

Pork exports were approximately twice as large during the first 6 months of the European War as during the corresponding period a year earlier, but this increase cannot be attributed to the war. There was practically no change in exports to Great Britain, the increase in exports largely reflecting increased Canadian buying. If there had been no war, exports to Great Britain would have been larger and those to Canada would have been smaller. Beginning in February 1940 purchases of hams and bacon in the United States were restricted by Great Britain and similar restrictions were instituted by Canada in March. Although some of the Allied purchases formerly made in Denmark may be transferred to the United States as a result of the recent occupation by Germany, no important expansion in the export demand for United States pork products in the near future is looked for. Stocks of bacon in Great Britain recently were sufficiently large to permit discontinuance of rationing, and the stoppage of Danish shipments to Great Britain will be made up partly from increased imports from Canada, where hog production recently has increased sharply.

Greatly increased United States supplies and low prices of lard have been favorable to increased exports, yet actual exports during the first 6 months of the war were only moderately above those of the corresponding period last year. Exports to Latin America and to European countries other than Great Britain account for this increase. Great Britain during this period took only about 40 percent of our exports, compared with 60 percent in 1938-39. The war has intensified substitution of other fats for lard, and import controls by the belligerents have greatly interfered with exports from the United States.

Wheat exports (flour included) totaled only 18.6 million bushels during the September 1939 - February 1940 period, compared with 44.4 million bushels during the corresponding 6 months a year earlier. This drop in exports, however, can be attributed only in small part to the war in Europe. The principal causes of the decrease were the high domestic prices relative to foreign prices, resulting primarily from the short prospective 1940 domestic crop, and the elimination of the Government wheat subsidy program except on flour and on wheat from the Pacific Coast area. Last year an attempt was being made, by means of export subsidy, to obtain for United States wheat a larger share of the world market and to reduce domestic supplies. These measures have been made unnecessary this year because of the prospective low yield of winter wheat. The war probably has contributed to some extent to the advances in domestic prices relative to foreign prices of wheat, and thus indirectly to the reduction in exports, but this effect probably has not been large. Mainly because of the altered domestic supply situation, wheat exports are expected to continue small during the remainder of the current season.

The decline of more than 60 percent in fresh fruit exports (exclusive of citrus fruit) is mainly a result of the war. Dried fruit exports have been lower and canned fruit slightly higher than in 1938-39. Canada takes most of the exports of citrus fruits and these have not been greatly affected.

Exports of several farm products of less importance in our export trade than those discussed above have been favorably affected by the war in Europe. These commodities include soybeans, canned vegetables, dried beans, and horses. Canned goods recently have been placed under increased import control by the belligerents.

## WHOLESALE COMMODITY PRICES

After having remained remarkably stable through February and early March, considering the continued decline in industrial activity, the general level of commodity prices weakened in the last 3 weeks of March and early April. The decline in prices from March 11 into the first week of April affected practically all groups and carried the daily index of 28 basic commodities down 3.7 percent. The weekly index which covers a much broader list of commodities declined about 1 percent. Moderate recovery in the basic commodity price index has since occurred.

Some weakness in commodity prices was to be expected as industrial activity declined, and the failure of more pronounced weakness in prices

to develop may be regarded as a good sign. Improved buying of steel and textiles, products of the industries affected most in the current recession, has recently made an appearance. Price irregularity may be expected until industrial activity turns about but there appears to be little danger of pronounced general weakness.

That there was no previous inflationary movement in commodity prices necessitating correction is well illustrated by a comparison of prices and productive activity now and just before the upturn in business nearly 2 years ago. At that time, the general level of commodity prices was just about the same as now but the index of industrial production was under 80 percent of the 1923-25 average as compared with the March 1940 index of 105. No prolonged period of speculative activity preceded the present period of readjustment in industry, as it did in 1937, so that the commodity price situation is now less vulnerable than at that time.

In addition to the strengthening effect on prices of a probable early halt to the downward trend of domestic productive activity, the war in Europe is a factor to consider. Price advances in the United Kingdom continue despite governmental controls, and in such European neutral countries as Belgium, the Netherlands, and Sweden prices have continued to rise strongly. In face of these considerations, and with retail distribution of products in this country holding on an even keel, there is scant prospect that existing inventories will be forced on the market at cut prices.

With consumer income during the first quarter of 1940 holding close to the average level of the final quarter of 1939, farm and food product prices have acted little differently from the industrial composite which is ordinarily subject to smaller fluctuations.

Commodity price movements are not likely to become a decisive factor in the present period of readjustment in industrial activity, though once recovery in production is under way they are expected to strengthen and thereby to facilitate the upturn.

## FARM INCOME

Cash farm income from marketings in March was about the same as in February, but was slightly higher than in March 1939. Income from meat animals and fruits in March was somewhat lower than a year earlier, but the decline in income from these products was more than offset by increases in income from dairy products, grains, cotton, tobacco, and miscellaneous crops. Government payments in March were somewhat lower than in February and lower than in March of last year, and income including Government payments in March was smaller than in February and may have been slightly smaller than in March 1939.

Farm income in April is normally slightly lower than in March, and is likely to make the usual seasonal change this year. Income from truck crops and strawberries is expected to increase more than seasonally, but this may be offset by a decline in income from meat animals because of the

lower prices, and the decline in income from corn due to the closing of loans. Government payments in April are expected to be relatively small and somewhat lower than in April 1939.

## PRICES RECEIVED AND PAID BY FARMERS

The indexes of prices received and paid by farmers in April were about the same as in March, according to preliminary indications. Gains in prices of grain, fruit, and several miscellaneous products were apparently about offset by lower prices for meat animals, livestock products, and truck crops. March-to-April changes in prices of cotton and poultry products were small. Except for the price advances for some farm products which followed spread of the war area in Europe, during the second week of April, the composite index of prices received by farmers would probably have been slightly lower in April than in March.

The general level of farm prices in March was 97 percent of the 1910-14 average, four points lower than in February, but 6 points above March 1939. However, prices paid were 122 percent of the 1910-14 average in March so that the ratio of prices received to prices paid was only 80 percent of the 1910-14 average.

## COTTON

Domestic cotton prices show little change from the level of a month ago. Between March 7 and March 26 the daily average price for middling 7/8-inch cotton in the ten designated markets declined from 10-3/5 cents to 10-1/5 cents, but since that date prices have about recovered the earlier decline. A year ago when conditions in the whole cotton industry were much less favorable prices ranged between 8.3 and 8.8 cents.

The decline in domestic mill activity thus far has not been severe. During part of the past month mill sales of unfinished goods were below output, but sales in the goods markets have expanded sharply in the last 2 weeks. During the first week of April, mill sales of unfinished goods were reported about three times as large as production. Before this, unfilled orders on books of mills had been declining, but this trend apparently has been stopped with the recent increase in sales. The New York Times seasonally adjusted index of cotton mill activity was at 132 percent of normal for the week of April 6, which compares with 138 percent on March 2, and 124 percent in the week ended April 1, 1939. Domestic consumption of cotton in March was 626,000 bales, and during the first 8 months of the season mills used a total of 5,331,000 bales, compared to 4,609,000 bales from August through March last year.

Cotton mill activity in Western Europe is still high, but France reports a shortage of skilled labor, and in England new business has been retarded by expected changes in the officially allowable yarn margins. Reports indicate Japan is seeking to arrange barter agreements with Egypt and South American countries involving increased exchanges of raw cotton for Japanese textiles. Cotton consumption in Japan for the first 7 months of this season was the lowest for any like period since 1930-31.

Cotton exports from the United States in March were about one-third larger than those in March a year earlier. From August 1 to April 10, exports of American cotton amounted to 5,350,000 bales, according to the New York Cotton Exchange Service, which compares with only 2,887,000 bales in the same period a year ago. Recent price parities between Liverpool and New York have not been favorable for further sales, but there is still in the neighborhood of a million bales on which export bond has been posted under the subsidy program, and which will be shipped before the season ends. Some additional sales and shipments to Spain have been reported since export payments ceased, but there may be some cancellations of intended exports to the Scandinavian countries.

## WHEAT

Domestic wheat prices the middle of April recovered to about the peak levels reached in December. Wheat prices rose sharply on March 19 and 20, and again on April 9, reflecting news of intensified warfare in Europe. This advance followed a decline during the middle of March which was influenced by the Russo-Finnish peace developments and widespread precipitation over domestic wheat areas.

The price of No. 2 Hard Winter wheat at Kansas City on April 13 averaged 106 cents. This was 7 cents above the price on March 15 and the same as the price on December 18, when prices were the highest since early October 1937. The price of No. 1 Dark Northern Spring wheat at Minneapolis averaged 108 cents on April 13 compared with 102 on March 15 and 111 on December 18.

Wheat prices in the United States continue high in comparison with wheat prices in other countries, as the result of the Government programs and poor crop prospects. Prices of hard winter wheat at Gulf ports are about 25 cents per bushel above export parity, and prices of domestic spring wheat at Buffalo are only about 12 cents lower than approximately the same quality of Canadian wheat, c.i.f., duty paid, at Buffalo. These price spreads compared with spreads the middle of March indicate that domestic prices are slightly higher compared with foreign wheat values of a month ago.

The domestic wheat supply in 1940-41 is expected to total approximately 926 million bushels according to present indications. This total is based on a winter wheat crop indicated as of April 1, 1940 at about 426 million bushels, a spring crop (including durum) very tentatively placed at 200 million bushels on the basis of average yields on prospective plantings, and a carry-over of all wheat on July 1, 1940 estimated at about 300 million bushels. The total domestic supply in 1939-40 was 1,009 million bushels, consisting of a carry-over of 254 million bushels and a crop of 755 million bushels.

The 1940 wheat crop in many countries has been handicapped by a poor start, and will require favorable conditions for the remainder of the growing season to make average yields per acre. With no increase in acreage probable, it seems reasonable to expect that the 1940 world wheat crop will be considerably smaller than that of 1938 or 1939, when yields were above average. This would result in a reduction in the very large world carry-over by July 1941.

Changes in wheat prices in the next few months are expected to depend largely upon developments in the foreign political situation, weather conditions in both this country and abroad, and upon the volume of overseas sales of North American wheat.

## CORN AND OTHER FEED GRAINS

Prices of feed grains have been steady during the past month. Early in April market prices of corn and oats were 10 to 12 cents per bushel higher than a year earlier, and the price of barley was about 6 cents per bushel higher. During the next few months prices may fluctuate somewhat more, as they will be influenced by prospects for the 1940 crops. The Corn Loan Program, increased livestock numbers, and general improvement in business activity during the past year have been important price-supporting factors.

On April 1 stocks of corn were the largest on record, totaling 1,415 million bushels compared with 1,264 million bushels last year, and 874 million bushels for the 1929-33 average. On April 1 it was estimated that around 550 million bushels of corn were sealed or held by the Government. This left about 865 million bushels unsealed or about 140 million bushels less than the quantity of unsealed corn on April 1 last year.

Disappearance of corn during the period October - March of 1939-40 was over 100 million bushels larger than during the corresponding period a year earlier. Even after allowing for a somewhat larger disappearance during the period April-September 1940, the total carry-over of corn on October 1 this year may be as much as 100 million bushels larger than the 573 million bushels carried over last year. Farm and commercial stocks of oats on April 1 amounted to 354 million bushels, or about 74 million bushels smaller than on that date a year ago.

The prospective plantings report of March 1 indicated a 4 million acre decrease in the area planted to corn, slightly larger acreages of oats and barley than in 1939, and about 1 million acres more of grain sorghums. With about an average pre-drought growing season on these prospective acreages and with allowance for higher corn yields as a result of the use of hybrid seed, the total production of these four feed grains in 1940 would be around 91 million tons compared with 97 million tons last year and 100 million tons for the 1928-32 average. This volume of production, together with the prospective carry-over of feed grains, would give a total supply a little smaller than in 1939-40, but with the exception of last year supplies would be the largest since 1932-33.

Latest information on the large Argentine corn crop indicates that harvesting is progressing favorably and that the crop is of unusually good quality. United States exports may decline this summer after the Argentine crop becomes available for export in larger volume. Exports of corn from the United States for the period October - February totaled 23.2 million bushels compared with 23.8 million bushels for the same period of 1938-39.

## OILSEEDS, FATS AND OILS

No material change in the demand for domestic oilseeds is now in prospect for the 1940-41 marketing season. Production in 1940, however,

probably will be considerably larger than in 1939. Prices of flaxseed, cottonseed, peanuts, and soybeans have averaged 3 to 35 percent higher thus far in the current marketing season than a year earlier, and from January to March this year were the highest since 1937.

According to farmers' intentions, as reported March 1, the acreage to be planted to soybeans grown alone for all purposes may be 18 percent larger in 1940 than in 1939. The most pronounced increases in acreage are indicated for Illinois, Iowa, Ohio, and Indiana, where about 91 percent of the soybeans harvested as beans were gathered last year. With about the usual abandonment, and with average yields, soybean production in 1940 may total 100-110 million bushels compared with 87 million bushels in 1939, and 5 million bushels in 1924, the first year for which production figures are available.

The indicated acreage to be planted to flaxseed is 15 percent larger this year than last, with record large acreages indicated for several States, including Minnesota, California, Iowa, Kansas, and Texas. Flaxseed production in 1940 may total about 23 million bushels compared with 20 million bushels in 1939 and an average of 11 million bushels for the previous 10 years.

The indicated peanut acreage for 1940 is 5 percent smaller than the record acreage planted in 1939. But yields last year were unusually low in several important producing States, and it seems likely, with normal weather conditions, that peanut production would be somewhat larger this year than last, though possibly not so large as in 1938, when unusually good yields were obtained in several States.

Prices of most fats and oils declined somewhat in March, but with the exception of lard, greases, and beef fats, continued to equal or exceed those of early 1939. Exports of lard since the outbreak of war in Europe have totaled only about 10 percent more than in the corresponding period a year ago, despite the relatively large supplies and low prices in this country. Exports of soybeans, on the other hand, totaling about 11 million bushels, have been over four times as large as a year earlier.

## HOGS

Slaughter supplies of hogs are expected to increase seasonally during the next 2 months as the market movement of fall pigs gets under way in large volume. The unfavorable ratio of hog prices to corn prices in recent months may cause some farmers to market their fall crop at somewhat lighter weights than usual, whereas others may carry their fall pigs on pasture and green feeds as long as possible in the hope of better prices. It may be, therefore, that the increase in marketings from April to June will be about average, with total supplies considerably larger than a year earlier because of the 16-percent increase in the 1939 fall pig crop over that of 1938.

The seasonal reduction in hog marketings after midsummer will depend largely upon the number of sows retained for fall farrow and the extent to which the current spring pig crop reaches marketable weights and finish before October 1. Because of the very unfavorable hog-corn price

ratio during recent months, it seems likely that fewer sows will be bred for fall farrow this year than last. Indications are that marketings of spring pigs have begun somewhat earlier than formerly during the past 3 years. If this tendency continues and if marketings of sows are fairly large, the seasonal reduction in hog supplies in the late summer this year may be less marked than usual.

Federally inspected slaughter of hogs during March totaled 3,981,000 head, about 7 percent less than in February but about 23 percent more than in March last year. Inspected slaughter in the first half of the 1939-40 hog marketing year (October-March) totaled 26,833,000 head, which is about 23 percent more than in the corresponding period of the 1938-39 season, and about 7 percent above the 1929-30 to 1933-34 pre-drought average for the period. This increase in slaughter over a year earlier is somewhat larger than the 20-percent increase in the 1939 spring pig crop over that of 1938. During the past 3 months the proportion of packing sows in total marketings has been somewhat larger than a year earlier. Average weights of hogs marketed in recent months have been somewhat lighter than a year earlier.

Hog prices weakened slightly during March and in early April, and reached the lowest level in the current marketing year and the lowest since midsummer 1934. The average price of butcher hogs at Chicago for the week ended April 6 was about $4.90 compared with $5.20 a month earlier and $7.10 in the corresponding week of 1939. Corn prices changed relatively little during March, and the ratio of hog prices to corn prices became slightly more unfavorable during the month.

The recent occupation of Denmark probably will not result in any immediate increase in United States shipments of hams and bacon to Great Britain, although a moderate increase may occur later. In 1938, and probably in 1939, Denmark furnished nearly one-half of the total British imports of bacon and hams. At the present time stocks of bacon in Great Britain are large, and takings from Denmark recently were sharply curtailed. The stoppage of Danish shipments will be partly offset by the large increase in British imports of Canadian bacon, and total bacon and ham consumption in Great Britain probably will be reduced. Abundant supplies of beef for export also are available in South American countries.

## CATTLE

The number of cattle on feed for market in the Corn Belt on April 1 was reported to be about 2 percent larger this year than last. On January 1, the number was about 12 percent larger than a year earlier. Marketings of fed cattle during January through March, however, were much larger than in the corresponding months of 1939 and the number of cattle put on feed during the period was smaller. Marketing intentions of Corn Belt cattle feeders on about April 1 indicate that marketings of fed cattle from March through April will be larger this year than last but during July and August they may be smaller than a year earlier. Total slaughter supplies of cattle in 1940 are expected to be little different from those of 1939, with a reduction in marketings of breeding stock about offset, or more than offset, by an increase in marketings of fed cattle.

Prices of all grades of slaughter cattle declined somewhat in late March and in early April, following a rather sharp advance in prices of most grades in late February and the first half of March. The average price of good grade beef steers at Chicago for the week ended April 6 was about $9.30, 45 cents lower than a month earlier and $1.00 lower than in the corresponding week of 1939. Prices of feeder steers, which had remained about steady for the 5 months preceding the sharp advance in February and the first half of March, also weakened in late March and in early April. The average price of feeder steers at Kansas City for the week ended April 6 was about $8.80, compared with the $8.00 level which prevailed from September-January and $9.10 in the corresponding week of 1939.

The sharp decline in prices of veal calves during the past 2 months has been somewhat more than seasonal. In early April the average price of about $9.10 for good and choice veal calves at Chicago was nearly $3.00 lower than the average for mid-January.

Federally inspected slaughter of cattle totaled 721,000 head during March, about 1 percent more than in February but about 7 percent less than in March last year. The reduction under a year earlier apparently has occurred chiefly in marketings of breeding stock, as supplies of steers appear to have been larger than a year earlier during March. The proportion of well-finished long fed cattle marketed during March was unusually small, whereas short fed cattle represented a much larger proportion of the beef cattle marketed than a year earlier. Average weights of beef steers marketed at Chicago during February and March were somewhat heavier than a year earlier. Inspected calf slaughter during March, totaling 440,000 head, was seasonally larger than in February but was about 8 percent smaller than in March last year.

## LAMBS

The development of the early lamb crop during March was above average and much better than during the unfavorable March of last year, the Agricultural Marketing Service reports. But, considerable variation in conditions among areas was noted, ranging from exceptionally good in the Pacific Coast States to only fair in the Southeastern States. An abundance of feed in California is encouraging the holding of the early lambs to enable them to attain maximum weights. The lateness of pastures and slow development of the early lambs in the Southeastern States will delay marketings from this area. Marketings of early lambs in May and June probably will be larger than in those months last year. A heavy marketing of both early lambs and of yearlings from Texas is expected in May and June.

Federally inspected slaughter of sheep and lambs totaled 1,266,000 head in March, about 4 percent less than in February and 14 percent less than in March a year earlier. In 1939 inspected slaughter increased in March, largely because of a later than usual movement of fed lambs from the western feeding areas. The number of lambs fed in the Western States during the late winter and early spring this year was somewhat smaller than a year earlier, and the number remaining on feed in the Colorado and Nebraska feeding areas - which provide the bulk of the late spring supply of fed lambs-

on about April 1 was somewhat smaller than a year earlier. For the first 4 months (December-March) of the 1939-40 fed lamb marketing season inspected slaughter of sheep and lambs totaled about 1 percent less than in the corresponding period of the 1938-39 season.

After advancing sharply in February and early March, prices of fed lambs declined slightly in mid-March and then strengthened somewhat in late March and early April. The average price of good and choice slaughter lambs at Chicago for the week ended April 6 was about $10.10, 15 cents lower than a month earlier, but more than $1.00 higher than 2 months earlier. The average price of good and choice slaughter lambs at Chicago for the first week of April 1939 was about $9.60. Prices of good and choice spring lambs at Kansas City in early April averaged around $10.30, or about 10 cents lower than a year earlier. The higher prices of fed lambs over a year earlier, in contrast with lower prices of spring lambs, reflects chiefly the relatively heavy weight of wool on fed lambs; wool prices are substantially higher than last spring.

## WOOL

Favorable factors affecting domestic prices of wool in the next few months will be the relatively small wool supply in this country and the strong foreign demand arising from war conditions. The prospect for a lower level of domestic mill consumption this year than last, however, will be a weakening influence upon domestic prices. Some recovery in industrial activity is expected during the last half of 1940, and this may result in an increase in domestic mill consumption of wool in the late summer and fall of this year.

Although the carry-over of stocks of wool at the beginning of April this year was small, it is probable that such stocks plus the new domestic clip (which will be marketed in this spring and summer) will be somewhat in excess of mill requirements for the next several months. Consequently, a substantial decline in imports of wool from the current high level is expected. With the possibility of some recovery in mill consumption in the last half of 1940, stocks of wool at the end of this year probably will not be large, and imports may again increase in the fall and winter of 1940-41.

Sales of domestic wool continued small in March and the early part of April. Quotations on graded territory wools (old clip) at Boston declined 3 to 10 cents a pound, scoured basis, during March, but quotations were almost entirely nominal. Country-packed 3/8 and 1/4 blood bright fleece wools of the new clip were offered early in April at 34-35 cents a pound, grease basis, delivered to mills. In April last year similar wools from the 1939 clip were offered at 27 cents a pound.

Mill consumption of apparel wool in February was 20 percent below the peak of October 1939 and was 5 percent smaller than a year earlier, but it was about 10 percent larger than the average February consumption in the 10 years 1929-38. United States imports of apparel wool for consumption totaled 45 million pounds in the first 2 months of 1940 compared with 11 million pounds in the same months of 1939. Imports in the first 2 months of this year were much larger than in any recent year except 1937.

Wool prices in foreign markets did not change materially in March, after advancing in January and February. The bulk of supplies of combing wools of the 1939-40 clip have now been sold in South Africa and South America.

## BUTTER

Butter prices were unusually stable from late February through the early part of April, primarily as a result of purchases by the Federal Surplus Commodities Corporation. Prices were maintained at a level decidedly below the winter peak but considerably higher than a year ago. While prices will depend to a considerable extent on the program followed by the Federal Surplus Commodities Corporation, some further seasonal decline in prices appears in prospect, but with the outlook for considerably higher prices during the coming summer than in the summer of 1939.

The past season was a favorable one for storage operations. The price of butter during the out-of-storage season averaged nearly 6 cents higher than during the into-storage season. This was the widest margin since the 1935-36 season and has been exceeded only three times in the past decade. Prospects are for a better storage demand this coming summer than in 1939.

With the improvement in general commodity prices and business in the past year, there has been an increase in consumer expenditures for dairy products particularly butter. In February apparent consumer expenditures for butter were about 20 percent higher than a year earlier. Apparent consumption of butter in February was somewhat less than a year earlier, but the decline was due to the sharp reduction in the distribution of butter for relief. Trade output through regular consuming channels was about 6 percent larger than in the same month of 1939. Retail prices were about 15 percent higher. Consumer expenditures for butter during the coming summer are expected to average higher than in the summer of 1939.

Average daily production of butter in February was about the same as the high production in that month a year earlier. Weekly reports indicate that production in March was also at about record levels for that month. Continued heavy production appears in prospect for the coming summer unless weather conditions should be unfavorable.

## POULTRY AND EGGS

Total egg production in the first half of 1940 may be slightly larger than in the first half of 1939. But the effect of this larger production on the supply of eggs for current consumption in the spring months may be partly offset by a relatively stronger demand for eggs for late hatchings and for breaking. Production per layer is continuing somewhat less than a year earlier but the larger number of hens and pullets on farms this year may be more than sufficient to offset the lower rate of production per bird. The rate at which flocks are culled during the next few months will influence the number of layers remaining in farm flocks. The price of poultry meat is increasing relative to egg prices, and feed costs remain comparatively high, so perhaps closer than average culling can be expected. This would contribute to larger marketings of freshly dressed poultry as compared with a year earlier

but such an increase would tend to be offset by smaller marketings of young stock which apparently will follow the slightly smaller hatch in 1940 as compared with 1939.

The into-storage movement for shell eggs appears to have progressed somewhat less than seasonally, when allowance is made for F.S.C.C. purchases. The into-storage movement for frozen eggs has increased rapidly during recent weeks. Storage stocks of frozen poultry are decreasing about seasonally and receipts of dressed poultry are continuing somewhat above a year earlier. The larger stocks of turkeys in storage are the major cause for the unusually large stocks of storage poultry this year.

The decrease in the average price received by farmers for eggs from February to March was somewhat more than seasonal. On the other hand, the increase during the same period in the price received by farmers for chickens was also more than seasonal. However, prices of both are somewhat less than a year earlier.

## POTATOES

Prices of old stock potatoes in market centers have risen sharply in recent weeks in response to the growing realization that supplies are being depleted faster than usual, and as a result of the smaller than usual quantities of new potatoes being shipped this season.

Prices of Maine Green Mountains at New York City rose from $1.98 per 100-pound sack in early March to $2.12 in early April. At Chicago, Colorado Red McClures rose from $1.72 to $2.06, Idaho Russets from $1.96 to $2.21, and midwestern varieties advanced from $1.37 to $1.45 during the same period. Prices of all these varieties except midwesterns in early April averaged somewhat above those of a year earlier.

Prices of new stock at market centers also advanced in recent weeks, those at New York City rising 52 cents per 100 pounds to $4.20 and at Chicago 54 cents to $4.64.

Shipments of old stock potatoes have been somewhat heavier in recent weeks than in the same period a year earlier. For the period January 1 to April 6 they totaled about 66,800 cars compared with 65,300 cars in the corresponding period of 1939. Some of the increase in shipments this season is due to the distribution of available supplies. Supplies in the Central States, which normally move largely by motor truck, are smaller than a year earlier, whereas supplies in the principal carlot shipping States, the eastern and western groups, are slightly larger than those of last season.

The fall and winter crop of new potatoes in Florida and Texas totals 802,000 bushels this season and is only about one-half as large as in 1939. Most of this supply has been marketed. The spring crop in Florida and Texas is indicated to total 2,319,000 bushels, or about 12 percent more than a year earlier. Shipments from these areas are just getting started as are those of the early crop in California. It is likely, therefore, that market supplies of new potatoes will increase sharply in the next few weeks.

## TRUCK CROPS

Seasonal increases in marketings of truck crops are in prospect but market supplies are expected to be generally smaller than a year earlier. Delayed maturity of many early crops, however, may tend to increase market supplies in May and June.

March weather was generally unfavorable for truck crop development in nearly all of the Northern and Southeastern States but it was favorable in California, the Pacific Northwest, and the South Central States. Rain and hail in Florida damaged snapbeans, and some tender vegetables were killed in the Carolinas. Moisture conditions were much improved in the Gulf States. Prospective production of spring vegetables, however, is indicated to be smaller than a year earlier. Only asparagus, carrots, and celery - the bulk of which is produced in California - are expected to be in larger supply than last year. Spring supplies of snap and lima beans, cucumbers, lettuce, onions, peas, and tomatoes are particularly short.

As a result of these reduced prospects prices of many vegetables have averaged considerably higher than a year earlier, but as the season advances and marketings increase prices tend to decline. Market prices of asparagus, snap and lima beans, cabbage, celery, eggplant, and peppers have declined sharply in recent weeks. Prices of broccoli, Brussels sprouts, carrots, cauliflower, cucumbers, escarole, kale, western lettuce, onions, and peas have advanced.

## FRUITS

Market supplies of Florida oranges, Florida and Texas grapefruit, apples, and pears are rapidly being depleted, but supplies of California oranges and lemons and southern strawberries are increasing seasonally. As a result of these shifts in supplies, market prices of oranges, grapefruit, apples, and pears advanced in recent weeks but prices of lemons and strawberries declined.

Prices of Florida oranges advanced 50 cents to $2.80 per box at New York City and 32 cents to $2.75 per box at Chicago from early March to early April. Prices of California navel oranges advanced only about 8 cents and averaged $2.75 at both markets. Florida grapefruit advanced from $1.96 to $2.77 per box at New York City and Texas grapefruit rose from $1.99 to $2.26 at Chicago during the same period.

Heavy marketings of lemons forced prices downward in recent weeks, those at New York City averaging $3.57 per box in early April, or 17 cents lower than a month earlier. At Chicago lemon prices averaged $3.30 per box compared with $3.63 in early March.

Strawberry prices declined sharply, or from 25 to 12 cents per pint at New York City and from 26 to 14 cents at Chicago. Shipments from both Florida and Louisiana increased considerably, but were substantially below those of a year earlier.

April 1 conditions indicated small changes in earlier prospects of orange and lemon supplies for the remainder of the spring months and for the summer. Production of grapefruit is expected to total 32.6 million boxes. This is about 11 million boxes less than production last season but nearly 2 million boxes above the estimate a month ago. Cold storage holdings of apples totaled 8.6 million bushels on April 1 compared with 9.2 million a year earlier.

Production of early and second early strawberries is indicated to total 5,430,000 crates this season compared with 5,730,000 crates produced last season. Most of the decrease this season occurs in the early crop.

Economic trends affecting agriculture
Index numbers: Indicated base period = 100

| Year and month | Industrial production 1/ | Construction contracts awarded 1/ | Factory employment 2/ | Factory payrolls 2/ | Income of industrial workers 3/ | Volume of agricultural exports 4/ | Wholesale prices of all commodities 5/ | Retail food prices 6/ | Prices received by farmers 7/ | Prices paid by farmers | Ratio of prices received to prices paid | Cash income from farm marketings 8/ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Base period | 1923-25 | 1923-25 | 1923-25 | 1923-25 | 1924-29 | 1910-14 | 1910-14 | 1913 | 1910-14 | 1910-14 | 1910-14 | 1924-29 |
| 1929 | 119 | 117 | 106 | 110 | 107 | 107 | 139 | 166 | 146 | 153 | 95 | 104 |
| 1930 | 96 | 92 | 92 | 89 | 88 | 82 | 126 | 158 | 126 | 145 | 87 | 83 |
| 1931 | 81 | 63 | 78 | 68 | 67 | 38 | 107 | 130 | 37 | 124 | 70 | 58 |
| 1932 | 64 | 28 | 66 | 47 | 46 | 94 | 95 | 108 | 65 | 107 | 61 | 44 |
| 1933 | 76 | 25 | 73 | 50 | 48 | 85 | 96 | 105 | 70 | 109 | 64 | 49 |
| 1934 | 79 | 32 | 86 | 64 | 61 | 66 | 109 | 117 | 90 | 123 | 73 | 58 |
| 1935 | 90 | 37 | 91 | 74 | 69 | 61 | 117 | 128 | 108 | 125 | 86 | 65 |
| 1936 | 105 | 55 | 99 | 86 | 80 | 55 | 118 | 130 | 114 | 124 | 92 | 76 |
| 1937 | 110 | 59 | 109 | 102 | 94 | 65 | 126 | 135 | 121 | 130 | 93 | 81 |
| 1938 | 86 | 54 | 90 | 78 | 73 | 75 | 115 | 125 | 95 | 122 | 78 | 71 |
| 1939 | 105 | 72 | 97 | 91 | 83 | 65 | 113 | 122 | 93 | 121 | 77 | 72 |
| 1939- | | | | | | | | | | | | |
| Jan. | 101 | 86 | 95 | 87 | 80 | 61 | 112 | 123 | 94 | 120 | 78 | 76 |
| Feb. | 99 | 73 | 94 | 86 | 79 | 66 | 112 | 122 | 92 | 120 | 77 | 73 |
| Mar. | 98 | 69 | 94 | 85 | 79 | 69 | 112 | 121 | 91 | 120 | 76 | 72 |
| Apr. | 92 | 67 | 94 | 84 | 75 | 55 | 111 | 121 | 89 | 120 | 74 | 68 |
| May | 92 | 63 | 93 | 84 | 75 | 62 | 111 | 121 | 90 | 120 | 75 | 70 |
| June | 98 | 63 | 94 | 86 | 80 | 46 | 110 | 121 | 89 | 120 | 74 | 64 |
| July | 101 | 67 | 95 | 87 | 80 | 51 | 110 | 121 | 89 | 120 | 74 | 63 |
| Aug. | 103 | 73 | 96 | 90 | 83 | 63 | 109 | 119 | 88 | 119 | 74 | 66 |
| Sept. | 111 | 73 | 98 | 93 | 86 | 81 | 115 | 125 | 98 | 122 | 80 | 74 |
| Oct. | 121 | 76 | 101 | 100 | 91 | 82 | 116 | 124 | 97 | 122 | 80 | 76 |
| Nov. | 124 | 83 | 103 | 103 | 93 | 56 | 116 | 123 | 97 | 122 | 80 | 76 |
| Dec. | 128 | 86 | 105 | 104 | 93 | 75 | 116 | 122 | 96 | 122 | 79 | 79 |
| 1940- | | | | | | | | | | | | |
| Jan. | 119 | 75 | 104 | 102 | 93 | 105 | 116 | 122 | 99 | 122 | 81 | 79 |
| Feb. 9/ | 109 | 62 | 102 | 98 | 89 | 104 | 115 | 124 | 101 | 122 | 83 | 83 |
| Mar. 9/ | 105 | | | | | | 114 | 122 | 97 | 122 | 80 | |

Continued -

1/ Federal Reserve Board, adjusted for seasonal variation.
2/ Bureau of Labor Statistics, adjusted for seasonal variation (employment adjusted by Federal Reserve and pay rolls by Bureau of Agricultural Economics).
3/ Adjusted for seasonal variation. Includes factory, railroad, and mining employees.
4/ Foreign Agricultural Relations, July 1909-June 1914 = 100, adjusted for seasonal variation.
5/ Bureau of Labor Statistics, 1926 = 100, converted to 1910-14 = 100.
6/ Bureau of Labor Statistics, 1923-25 = 100, converted to 1913 = 100.
7/ August 1909 - July 1914 = 100.
8/ Adjusted for seasonal variation. Revised March 1940.
9/ Preliminary.

Note: In comparing trends between industrial production and industrial workers' income, as indicated by the above index numbers, notice should be taken of the different base periods used, and of the fact that income of railway workers, as well as incomes of mining and factory workers, is included in the index of industrial workers' income, whereas the industrial production index is based on mining and manufacturing only. Similar precautions are necessary in comparing trends between industrial production and factory employment and pay rolls. The base periods are the same, but the production index includes minerals as well as factory products. Another consideration of importance is that the production index is based on volume, whereas the income indexes are affected by changes in wage rates as well as by time worked. In comparing monthly indexes it is important to keep in mind the fact that there is usually a time lag between changes in volume of production and similar changes in employment and in workers' income.